

LEGISLATIVE UPDATE

HOUSE COMMITTEE ON THE BUDGET
Majority Caucus

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AMENDMENT TO H.R. 2891: THE AIRLINE TRANSPORTATION SYSTEM STABILIZATION ACT

Summary: This legislation directs the President to provide up to \$15 billion in emergency assistance and loan guarantees to air carriers for losses incurred as a result of the terrorist attacks on the United States on 11 September 2001. The measure will be offered as a complete substitute to H.R. 2891, the Airline Transportation System Stabilization Act, which was introduced last week.

The financial assistance is designated as an emergency and therefore will not breach the levels in the budget resolution (H.Con.Res. 83). Hence it will comply with the Congressional Budget Act, and will not trigger a sequester under the Deficit Control Act.

Legislative Provisions: Specifically, the amendment will provide \$10 billion in loan guarantees to air carriers whose ability to obtain credit has been adversely affected as a result of the terrorist attacks. The amendment will further provide \$5 billion in emergency financial assistance to compensate the air carriers for direct losses resulting from the Federal ground stop order issued by the Secretary of Transportation on 11 September 2001, as well as the incremental losses that have been, or will be, incurred through 31 December 2001 as a direct result of the terrorist attacks.

The amendment provides the Secretary of Transportation authority to reimburse air carriers for the cost of insurance against loss or damage arising out of any risk from the operation of an American or foreign-flag aircraft. It also provides the Secretary the discretion to limit, to \$100 million, the liability of air carriers victimized by an act of terrorism – with the Federal Government responsible for any liability above that amount.

Another provision of the amendment authorizes compensation to victims and survivors of the terrorist acts of 11 September 2001.

The amendment authorizes \$120 million for the Essential Air Service for fiscal year 2002. A further provision grants the airlines an extension of the due date for excise tax deposits from 15 November 2001 to 15 January 2002.

The amendment requires the President to report by 1 February 2002 on the financial status of the air carrier industry and the amounts provided to each air carrier. The report is to be transmitted to the House Committees on Transportation and Infrastructure, Budget, and Appropriations of the House of Representatives, and the Committees on Commerce, Science, and Transportation, Budget, and Appropriations of the Senate.

Cost of the Amendment: As noted, the amendment provides \$10 billion in loan guarantees, and \$5 billion in direct financial assistance. It will increase direct spending – spending not subject to appropriations – by \$5 billion in budget authority [BA] in fiscal year 2001, and by \$3 billion in BA and \$8 billion in outlays in fiscal year 2002.

Only the cost of the subsidy – an amount that includes the risk to the Federal Government in the case of default – associated with the \$10 billion in loan guarantees is treated as a cost to the Federal Government. Although the Congressional Budget Office has not completed an estimate of the bill, it is likely to estimate a subsidy for these loans of about 30 percent, or \$3 billion.

The potential Federal liability above the air carriers' \$100-million liability cap is uncertain, as is the cost to the Government of the victim compensation provision.

The combined \$15 billion in emergency assistance provided by this bill is in addition to the \$40 billion appropriated in last week's emergency supplemental appropriations bill, H.R. 2888/Public Law 107-38.

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Amendment Compared With the Budget Resolution: The amendment designates the amount of new budget authority and outlays resulting from the air carriers' assistance in this legislation as emergency spending pursuant to section 252(e) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 901(e)) (see further discussion below). Because of this emergency designation, this assistance does not cause the measure to exceed the appropriate budgetary levels established in H.Con.Res. 83, and therefore complies with section 311(a) of the Budget Act, which stipulates that legislation may not exceed the aggregate levels in the budget resolution.

Emergency Designation – Compliance With the Budget Act and PAYGO: As noted, the amendment designates the air carriers' assistance cost as an emergency under section

252 of the Deficit Control Act. The effect of this designation is to increase the 302(a) allocations to the Transportation and Infrastructure Committee, and the aggregate levels in H.Con.Res. 83, by an equivalent amount. Accordingly, the bill does not violate the Congressional Budget Act and will not be subject to any related point of order.

Because the amendment is an authorization bill, it is subject to the pay-as-you-go procedures, applying to entitlement and tax legislation, rather than the appropriations caps. The emergency designation effectively exempts the bill from pay-as-you-go procedures; hence the bill need not be offset by subsequent tax and entitlement legislation and will not trigger a sequestration. This exemption, however, does not apply to the victims' compensation provision, which is not designated as an emergency.

Summary of Amendment to H.R. 2891 (budget authority in billions of dollars)	
Loan Guarantees	10.0
Emergency Financial Assistance	5.0
Victims' Compensation	^a
Total	15.0
^a The potential cost to the Government of the victims' compensation provision is uncertain.	

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